Supplemental Offering Circular dated 6 December 2007 to the Offering Circular dated 20 November 2007

United Utilities PLC

(Incorporated with limited liability in England and Wales with registered number 02366616)

as Issuer

United Utilities Water PLC

(Incorporated with limited liability in England and Wales with registered number 02366678)

as Issuer

EUR 7,000,000,000

Euro Medium Term Programme

This supplemental offering circular (the "**Supplemental Offering Circular**" to the offering circular dated 20 November 2007 (the "**Offering Circular**"), which together comprise a base prospectus, constitutes a supplementary offering circular for the purpose of Section 87G of the Financial Services and Markets Act 2000 (the "**Act**")) has been prepared by the Issuers (as defined below) in connection with the EUR 7,000,000,000 Euro Medium Term Note Programme for the issuance of notes (the "**Programme**"). The Offering Circular has been prepared by the Issuers and approved as a base prospectus for the purposes of Directive 2003/71/EC (the "**Prospectus Directive**") by the Financial Services Authority in its capacity as competent authority under the Act (the "**UK Listing Authority**"), for use in connection with the issue of notes. This Supplemental Offering Circular supplements, updates and forms part of the Offering Circular, and should be read in conjunction therewith, together with any other supplement to the Offering Circular issued by the Issuers.

Each of United Utilities PLC and United Utilities Water PLC (each an "**Issuer**" and together the "**Issuers**") accept responsibility for the information contained in this Supplemental Offering Circular and confirm that, to the best of their knowledge (the Issuers having taken all reasonable care to ensure that such is the case), the information contained in this Supplemental Offering Circular is in accordance with the facts and contains no omission likely to affect its import.

This Supplemental Offering Circular and the Offering Circular are to be read in conjunction with all documents which are deemed to be incorporated herein and therein by reference. This Supplemental Offering Circular and the Offering Circular shall be read and construed on the basis that such documents are incorporated in and form part of this Supplemental Offering Circular and the Offering Circular.

To the extent that there is any inconsistency between (a) any statement in this Supplemental

Offering Circular or any statement incorporated by reference into the Offering Circular by this Supplemental Offering Circular and (b) any other statement in or incorporated by reference in the Offering Circular prior to the date of this Supplemental Offering Circular, the statement in (a) will prevail.

Terms defined in the Offering Circular, as so supplemented, have the same meaning when used in this Supplemental Offering Circular.

Save as disclosed in this Supplemental Offering Circular, there has been no other significant new factor, material mistake or inaccuracy relating to information contained in the Offering Circular which is capable of affecting the assessment of notes issued under the Programme since the publication of the Offering Circular.

Prospective investors should have regard to the factors described under the section headed "RISK FACTORS" in the Offering Circular.

This Supplement has been produced to disclose the information contained within the interim financial results of the Group for the period ended 30 September 2007, which were published on 29 November 2007. In the interim financial results announcement, United Utilities PLC disclosed the outcome of a review of the Group's capital structure and dividend policy following the agreed sale of its electricity distribution assets, and target credit rating for United Utilities Water PLC.

Following this announcement, Moody's Investor Service Ltd. ("**Moody's**") has on 29 November 2007 downgraded the long-term rating of United Utilities PLC to Baa1 from A3, the long-term rating of United Utilities Water PLC to A3 from A2 and the short-term rating of United Utilities Water PLC to P-2 from P-1, all with stable outlook. United Utilities PLC's short-term rating was affirmed as P-2, the outlook on this rating is stable.

Standard & Poor's Rating Services, a division of The McGraw-Hill Companies, Inc. ("**Standard & Poor's**"), on 29 November 2007 lowered the long-term corporate credit ratings of United Utilities PLC and United Utilities Water PLC to A- from A and the short-term corporate credit ratings of United Utilities PLC and United Utilities Water PLC to A-2 from A-1, all with stable outlook.

Unless otherwise specified in the applicable Final Terms, Notes to be issued under the Programme by United Utilities PLC with an initial maturity of one year or less will be rated P-2 by Moody's and A-2 by Standard & Poor's and Notes with an initial maturity of more than one year will be rated Baa1 by Moody's and BBB+ by Standard & Poor's. Unless otherwise specified in the applicable Final Terms, Notes to be issued under the Programme by United Utilities Water PLC with an initial maturity of one year or less will be rated P-2 by Moody's and A-2 by Standard & Poor's and Notes with an initial maturity of more than one year will be rated A3 by Moody's and A- by Standard & Poor's.

The information in the websites referred to in this Supplement is not incorporated by reference into this Supplement.

Any investor who may wish to exercise any withdrawal right arising pursuant to Section 87Q(4) of the Act as a result of the publication of this Supplemental Offering Circular must exercise that right on or before 5.30 p.m. (London time) on 11 December 2007.

29 November 2007

UNITED UTILITIES DELIVERS STRONG RESULTS AND IMPROVED PERFORMANCE
PROPOSED £1.5 BILLION RETURN TO SHAREHOLDERS

Half yearly financial report[1] for the six months ended 30 September 2007

£m (except dividends)	Six months ended		% Change
	30 September 2007	30 September 2006	
Operating profit from continuing operations	348	332	+5%
Underlying operating profit from continuing operations[2]	348	322	+8%
Profit before tax from continuing operations	252	250	+1%
Underlying profit before tax from continuing operations[2]	243	221	+10%
Interim dividend per ordinary share (pence)	15.20	14.63	+3.9%

Basic earnings per share (pence)	Six months ended	
	30 September 2007	30 September 2006
Continuing operations	29.8	19.7
Continuing and discontinued operations	38.3	25.8

[1] Contribution from electricity distribution assets, facilities management operations, industrial liquid waste operations and telecoms are treated as discontinued operations in these results. Therefore, results from continuing operations for the six months to 30 September 2006 have been re-presented
[2] Underlying profit before tax from continuing operations and underlying operating profit from continuing operations are defined in the underlying profit measure table on page 13
[3] Regulatory asset value of electricity distribution assets £1,230 million (as at 31 March 2008 based on a forecast RPI assumption for 2007/08 of 3.2%)
[4] As explained in the distributions to shareholders under current and new dividend policies section on page 14 of this announcement

United Utilities delivers strong results and improved performance

- Underlying profit before tax[2] up 10% to £243 million
- Regulated activities operating profit increased by 5% to £325 million, with underlying operating profit[2] up 9%
- Capital expenditure in regulated activities up 49% to £362 million, delivering customer and environmental benefits
- Operational performance improvements underpinned by our strategy to focus on core skills
- On track to meet 2007/08 leakage target

Sale of electricity distribution assets, proposed return of value and dividend policy

- £1,782 million sale of electricity distribution assets for a 45% premium to regulatory asset value[3]

Proposed return of value to shareholders	**£m**	**Pence per share**
Net equity proceeds from sale	1,050	119
Additional return to create more efficient capital structure	450	51
Total proposed return via B share scheme	**1,500**	**170**

- 2007/08 forecast dividend per share of 46.67 pence to be based on current dividend policy
- 2008/09 dividend per share to be reduced by 30% reflecting revised composition of group
- New dividend policy targets real growth of RPI+2% per annum to be applied from 2009/10
- Total projected distributions[4] to 2010 to meet expectations under current dividend policy

Commenting, Philip Green, Chief Executive, said:

"The group has delivered both a good set of financial results and further operational performance improvements, supported by our strategy to focus on core skills.

"Our water business has now entered the peak phase of its 2005-10 capital expenditure programme and we remain confident of meeting our regulatory outputs. This major investment in essential infrastructure continues to deliver customer and environmental benefits.

"The successful sale of our electricity distribution assets for a substantial premium to the regulatory asset value enables the group to focus on the much larger, higher growth water asset base and meets our target of agreeing the sale by the end of this calendar year. We are pleased to have a £1.5 billion contract to manage the electricity assets through to 2015 which is consistent with our strategy. Our new dividend policy, targeting real growth, takes account of the revised composition of the group and ensures that income remains an important reason to invest in United Utilities.

"As a result of the sale and the review of our capital structure, we are very pleased to be proposing a total return of £1.5 billion. Shareholders should expect to receive distributions through to 2010 in line with expectations under the current dividend policy, in addition to the net equity proceeds from the sale."

For further information on the day, please contact:

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A presentation to investors and analysts starts at 9.00 am on Thursday 29 November 2007, at the City Presentation Centre, 4 Chiswell Street, London, EC1Y 4UP. The presentation can be accessed via a one-way listen in conference call facility, by dialling: + 44 (0) 20 7162 0125. This recording is available for seven days following 29 November 2007, on +44 (0) 20 7031 4064, access code 772442.

The presentation, with further information on United Utilities, will be available at 9.00 am on the day at: http://www.unitedutilities.com and, later, on Bloomberg at: UUIR<GO>, where a multimedia version will be available.

Interviews with Philip Green, Chief Executive, and Tim Weller, Chief Financial Officer, in video/audio and text formats are available on http://www.unitedutilities.com and http://www.cantos.com.

CHIEF EXECUTIVE'S REVIEW

United Utilities has delivered a strong financial performance in the six months ended 30 September 2007. Underlying profit before tax[2] increased by 10% to £243 million and underlying operating profit[2] was up by 8%, to £348 million.

Our regulated activities have delivered strong growth in the period with segmental operating profit up 5%, an increase of 9% on an underlying basis[2]. This growth primarily reflects the regulated price increases, which support the high levels of essential investment in our infrastructure and benefits our customers and the environment.

Capital investment in our regulated water and wastewater operations, including infrastructure renewals expenditure, amounted to £362 million during the half year. This represents an increase of 49%, compared with the corresponding period last year, as we enter the peak phase of our capital expenditure programme. Our business improvement initiatives are progressing well and we remain confident of meeting both our regulatory outputs and our efficiency targets across the 2005-10 period.

In our non-regulated activities, which incorporate the former United Utilities Contract Solutions segment, operational performance across the contract portfolio was good. Underlying operating profit[2] included the first six months of our electricity outsourcing contract and was slightly lower than that of the prior period, which benefited from an elevated contribution from the peak year of the Southern Water contract. We have a strong order book worth over £6 billion and will continue to pursue asset light opportunities, related to our core skills, in selected markets where we are comfortable with the risk and reward dynamics.

At our interim results a year ago, we outlined a number of key operational and customer service measurements through which we could demonstrate progress towards our goal of becoming a world class operator of utility infrastructure. We are pleased to report that good progress continues to be made on operational performance. The business is currently on track to meet its 2007/08 leakage target of 465 megalitres per day, which represents year-on-year improvement and underlines our commitment to higher performance. United Utilities Water was also ranked first by Ofwat for 2006/07 on the regulator's asset serviceability measure for both water and sewerage which reflects the company's long term stewardship of its assets.

We are already seeing the benefits of our internal management reorganisation, which created an asset owner and an asset operator function. This reorganisation has now been successfully implemented and our Utility Solutions asset operator division is benefiting from sharper commercial focus through an internal performance arrangement with our Asset Management and Regulation asset owner division. The business also continues to benefit from the transfer of best practice across our extensive portfolio of UK utility operations.

United Utilities continues to develop its strategy on sustainability. Our carbon action plan is progressing well and will continue to help mitigate our impact on climate change. Adaptation to climate change will also be instrumental in the future protection of essential infrastructure assets and water supplies from flooding and needs to be considered in developing investment plans. We support Ofwat's comments on sustainability in its recent consultation paper on setting future price limits and are working with all our regulators and other key stakeholders to develop longer term climate change and funding strategies.

Agreed sale of electricity distribution assets

We announced at our preliminary results in June that the Board had taken the decision to initiate a sale process for United Utilities' electricity distribution assets, with a view to maximising shareholder value. We believe that shareholders' interests are best served by the group focusing on the much larger water asset base, which offers significantly more growth potential than our electricity distribution assets.

We were very pleased to announce last week that we had agreed the sale of our electricity distribution assets for £1,782 million, which represents a substantial 45% premium to the forecast March 2008 regulatory asset value of £1,230 million, to North West Electricity Networks Limited. This meets our target of agreeing the sale by the end of this calendar year. In addition, we have a £1.5 billion contract to manage these assets which runs through to 2015. There is also the potential for this contract to be extended for a further five years to 2020.

The sale price represents net equity proceeds of £1,050 million, which will form part of the total return to shareholders.

Total return of value to shareholders

As a result of the sale of our electricity distribution assets and review of capital structure, outlined below, the Board intends to return to shareholders a total of £1,500 million. This substantial total return may be analysed as:

- net equity proceeds of £1,050 million from the sale of the electricity distribution assets; and
- a further return of £450 million to create a more efficient capital structure which reflects regulatory assumptions for our regulated activities.

Review of capital structure and dividend policy

When we took the decision to initiate a sale process for our electricity distribution assets we said that, following the sale, we would review the group's capital structure and dividend policy in light of the revised composition of the group.

We have now completed this review and are aiming for a net debt to regulatory capital value gearing level towards the upper end of Ofwat's range (55% to 65% for the 2005-10 price control period). We expect that the impact of the return of value to shareholders will move our credit ratings to Baa1/BBB+ at United Utilities PLC and A3/A- at United Utilities Water PLC. Looking ahead, we intend to target an investment grade credit rating of A3 for United Utilities Water PLC, which we believe best mirrors regulatory assumptions.

The total dividend for 2007/08 is forecast to be 46.67 pence per ordinary share and is based on the current dividend policy and the issued share capital prior to the share reduction. This comprises an interim dividend of 15.20 pence per ordinary share and a forecast final dividend of 31.47 pence per ordinary share, expected to be paid in February 2008 and August 2008, respectively.

The Board has today outlined a new dividend policy which will apply from 2008/09 to reflect the revised composition and earnings profile of the group.

In light of the sale and return of value, the dividend per share from 2008/09 will be reduced by 30 per cent compared with the forecast 2007/08 dividend per share. Thereafter, the group's revised dividend policy is intended to target a sustainable and growing level of dividends and will improve dividend cover. The new target real growth rate of RPI+2% will be applied from 2009/10 to the 2008/09 revised dividend per share.

When we announced the review of capital structure and dividend policy in June 2007, we said that it was our intention that shareholders would receive total distributions over the remainder of the 2005-10 price control period at least equivalent to the distributions targeted for the same period under the current dividend policy. The new dividend policy taken together with the proposed further return of £450 million addresses this intention. On the basis of the assumptions outlined on page 14 of this announcement, shareholders will receive distributions over the remainder of the 2005-10 period of 149 pence per share[4] compared with 144 pence per share[4] under the current dividend policy. This is in addition to the net equity proceeds from the sale of the electricity distribution assets.

Return mechanism, new corporate structure and timing

It is anticipated that the proposed return of value will be in the form of a redeemable B share scheme providing shareholders (other than shareholders in certain overseas jurisdictions) with a choice of receiving the return as capital or income and the option to spread the return over two financial years.

In order to implement the B share scheme and increase the group's distributable reserves, the company is announcing today that it intends to propose a change to its corporate structure. The proposed change, which is subject to court and shareholder approval, involves a scheme of arrangement to introduce a new parent company above United Utilities PLC. The reserves created by the implementation of the new structure will be available for the proposed return of value and the declaration of future dividends.

The scheme of arrangement will involve the new parent company acquiring all of the shares in United Utilities PLC and issuing new shares. This will comprise the issue of new ordinary shares and redeemable B shares to facilitate the return of value. The number of new ordinary shares issued will be reduced from the existing number of ordinary shares commensurate with the return of value with a view to aiding comparability of share price and earnings per share before and after the capital restructuring. Following the implementation of the new structure, United Utilities' shareholders will hold shares in the new parent company equivalent to their previous percentage holding in United Utilities PLC. The new structure will be implemented at the same time as the return of value.

It is presently anticipated that the necessary steps to achieve the above corporate restructuring will be completed during the summer of 2008, enabling the return of value to take place in August 2008.

Indicative return timetable

November 2007	Announcement of agreed sale of electricity assets
December 2007	Estimated sale transaction completion
February 2008	Payment of 2007/08 interim dividend under current policy
June 2008	Circular posted to shareholders
June/July 2008	Extraordinary general meeting (EGM) for scheme of arrangement to create new parent company
July 2008	Annual general meeting (AGM)
July/August 2008	Issue of redeemable B shares, listing of new parent company and issue of new parent company ordinary shares
August 2008	Payment of 2007/08 final dividend under current policy
August 2008	Return of value – first option to redeem B shares
February 2009	Payment of 2008/09 interim dividend under new policy
April 2009	Return of value – all remaining B shares redeemed

A further announcement will be made in due course which will detail the process and timetable for the return of value and the creation of the new parent company. The creation of the new parent company will require court approval and shareholder approval at an extraordinary general meeting (EGM). Details of the EGM are expected to be sent to shareholders in June 2008.

Outlook

Through our strategy of focusing on core skills, we believe the business is well placed to meet our expectations for the remainder of this financial year. We expect United Utilities to continue to deliver a strong financial performance underpinned by allowed regulated revenue growth.

With our new dividend policy targeting real growth, we aim to continue providing a strong dividend income flow to shareholders.

OPERATING PERFORMANCE

REGULATED ACTIVITIES

- Segmental revenue increased by 7% to £713 million
- Segmental operating profit increased by 5% to £325 million, with underlying operating profit[2] up 9%

Revenue from regulated activities increased by 7% to £713 million, principally as a result of allowed price increases, including inflation, of 8.3% in the water business. The allowed price increases enable the company to invest significantly in its water and wastewater networks and provide vital services to customers.

Operating profit for the year increased by 5% to £325 million, which reflects allowed price increases and delivery of efficiencies. As expected, infrastructure renewals expenditure is over a third higher compared with the corresponding period last year, in line with the planned profile of this programme. Adjusting for a number of one-off items (as outlined in the underlying profit measures table on page 13), underlying operating profit[2] for the year increased by 9%.

Capital investment in the period, including £62 million of infrastructure renewals expenditure, was £362 million. This represents an increase in expenditure of 49% when compared with the previous period and reflects the planned profile of the company's investment programme. Cumulative capital expenditure on water assets remains on course to match regulatory assumptions by the end of 2008 and cumulative wastewater capital expenditure by the end of 2009.

United Utilities (UU) continues to make progress on delivering efficiencies and the business remains on course to meet its regulatory efficiency targets. Energy costs in United Utilities Water (UUW) have reduced by over 10% compared with the previous period and represented only around 5% of UUW's total cost base. This reflects the group's energy purchasing strategy, its energy efficiency initiatives and the benefits of a largely gravity-fed clean water system which helps reduce pumping costs.

The business aims to be a world class operator of utility infrastructure and as part of this goal is targeting an upper quartile position on key operational and service measures in the medium term. At last year's interim results, announced on 5 December 2006, the company outlined a number of measurements against which it would assess its performance with the commitment to provide an update every six months. UU is making good progress and remains on course to meet its medium term targets on these measures:

- **Relative efficiency –** UUW improved its 2005/06 operating expenditure relative efficiency position, as assessed by Ofwat, and was placed in band B for the water service and in band C for the wastewater service. Sustained performance is forecast for 2006/07 and the results of this assessment are due to be published by Ofwat next month.

- **Security of water supply –** having met the economic level of leakage rolling target last year for the first time in five years, UUW is on track to meet the more stringent 2007/08 target of 465 megalitres per day which represents year-on-year improvement. In addition, there were no water restrictions in the period.

- **Pollution –** the business met its medium term target in 2006/07 when it achieved a reduction of over 50% in the number of Category 1&2 pollution incidents for water and wastewater. UUW remains on course to sustain this target performance in the medium term.

- **Sewer flooding –** UUW remains on course to meet its medium term target of reducing the number of properties on the sewer flooding register by around 50%. This target is based on properties at risk of experiencing at least one sewer flooding incident in ten years. Good progress was made in 2006/07 with a net reduction of over 20% in the number of properties on the register. Further progress has been made in the year to date.

- **Customer minutes lost (CMLs) and customer interruptions (CIs) –** United Utilities Electricity (UUE) outperformed the cumulative 2005/06 and 2006/07 regulatory targets for CMLs and CIs set by Ofgem. This is already in line with the aim to meet or outperform the regulatory targets over the 2005-10 period and the business is on target to maintain this level of performance in 2007/08.

- **Overall customer satisfaction –** Good progress was made in 2006/07 and 74% of UUW's water and wastewater customers and 70% of UUE's electricity customers who had made an enquiry were satisfied with the overall service they received. This compares with a start point satisfaction level of less than 50% for water and wastewater customers and less than 70% for electricity customers. This enhanced level of performance has been broadly sustained at the half year and the business continues to focus on driving further improvements.

With regards to outputs, UUW continues to upgrade its infrastructure, replacing 322 kilometres of water mains during the first half of the year. The company continues to supply a high quality of drinking water with mean zonal compliance for the year to date of 99.94%. UUW was ranked first by Ofwat for both water and sewerage in its 2006/07 asset serviceability assessment. This is an important measure and reflects the company's long term stewardship of its assets.

Regulatory developments

Ofwat recently published its 2009 price review methodology consultation paper. UU welcomes the longer term framework and the increased focus on the cost of carbon and adaptation to climate change outlined by Ofwat. This is consistent with the group's progress on sustainability and the carbon action plan already introduced.

The concept of menu regulation as proposed by Ofwat is also supported by the group but it is important that a balanced approach to rewards and penalties is adopted. UU supports increased incentive mechanisms on measures such as Overall Performance Assessment, although the use of such incentives could be extended further in areas such as water conservation and greenhouse gas emissions.

UU agrees with the Competition Commission in its recent BAA report that companies are better placed than customers to manage interest rate risk and therefore the group does not support indexation of the cost of capital. Financeability remains vital to enable companies to maintain a solid investment grade credit rating and deliver the water industry's future investment requirements.

There is potential for additional investment mainly regarding wastewater unsatisfactory intermittent discharge (UID) projects that were not part of UUW's 2005-10 regulatory contract. These projects have an estimated maximum value of up to £500 million and continue to be discussed with the regulators.

In January 2007, the Planning Inspectorate ruled on three case appeals for inland UIDs to help establish principles going forward. This has allowed UUW to negotiate with the Environment Agency to finalise requirements for about one third of those UIDs. A funding submission has been made to Ofwat for review ahead of consideration by DEFRA. The potential related investment programme, if endorsed by DEFRA and Ofwat, should be funded through price limits and deliver additional growth in the regulatory capital value and benefits for customers and the environment. A second appeal is being heard in December 2007 to consider UIDs that impact on bathing waters and shellfish waters. Further investigations are required for a number of other cases.

NON-REGULATED ACTIVITIES

- Segmental revenue increased by 41% to £454 million
- Segmental underlying operating profit[2] marginally decreased at £22 million

The non-regulated segment incorporates the former United Utilities Contract Solutions' activities and applies the core utility skills of the regulated business through outsourcing contracts. United Utilities is the leading utility infrastructure outsourcing company in the UK.

United Utilities holds major utility outsourcing contracts, working on behalf of Dwr Cymru Welsh Water, Southern Water, Scottish Water and Northern Gas Networks, and has the only outsourced electricity and gas distribution contracts in the UK. It also has a meter installation contract with British Gas Trading, three Scottish PFI operations and currently operates concessions in Bulgaria, Estonia, Poland, the Philippines and Australia. The company benefits from a strong order book worth over £6 billion and will pursue prospects, on an asset light basis, linked to its core skills where it is comfortable with the risk and reward dynamics.

Non-regulated revenue in the half year increased by 41% to £454 million compared with the corresponding period last year reflecting the contribution from the electricity distribution outsourcing contract. Underlying operating profit[2] was slightly lower than the first half of last year. This reflects an expected reduction in contribution from our Southern Water contract, following the peak year of this contract in the prior period, alleviated by the first time inclusion of contribution from the group's electricity outsourcing activities. Operational performance across the contract portfolio continues to be good.

United Utilities' electricity outsourcing contract extends through the next price review to 2015 and is estimated to generate revenues of around £1.5 billion over this period. There is also the potential for the contract to be extended by a further five years to 2020. This contract to manage the electricity distribution assets in the north west of England covers operations, maintenance, delivery of the capital investment programme and the provision of connections. Its structure is based around the contract United Utilities has with Northern Gas Networks with strong performance incentives in place.

The UK utility sector, including metering, remains a key target market and United Utilities will also assess opportunities linked to the group's core skills in selected markets where it is comfortable with the risk and reward dynamics.

OTHER ACTIVITIES

Operating profit from other activities for the six months to 30 September 2007 was £1 million. This segment includes central costs and the contribution from United Utilities Property Solutions (UUPS). UUPS is the property trading and management business of United Utilities PLC and made an operating profit of £10 million in the half year. It has a secured pipeline of work for the next few years and is expected to continue to deliver a positive contribution, although due to the nature of the business, profits may not follow a smooth profile.

FINANCIAL PERFORMANCE

Revenue and operating profit from continuing operations

Revenue from continuing operations rose 20% to £1,153 million, reflecting growth in both the regulated and non-regulated businesses.

Group operating profit from continuing operations increased by 5% to £348 million, with group underlying operating profit from continuing operations[2] up by 8%. This increase was underpinned by a strong performance in the regulated business.

Investment income and finance expense

Finance expense of £168 million was £31 million higher than the corresponding period last year. This expense included a £19 million fair value loss on debt and derivative instruments, whereas the comparative period included a £10 million fair value loss. This volatility in financing expense caused by fair value adjustments arises from fair value accounting under International Financial Reporting Standards. Interest expense on swaps and debt under the fair value option was £28 million, similar to the prior period.

Interest income and expenditure associated with the group's defined benefit pension schemes was reclassified in the results for the year ended 31 March 2007 and the same reclassification has been applied to the results for the six months ended 30 September 2006.

Investment income was £73 million, compared with £55 million in the corresponding prior period. The underlying cost of net borrowing of £116 million is slightly higher than the prior period and reflects an increase in the group's average net borrowing rate from around 5.8% to 6.2%, as a result of the impact of higher inflation on the index-linked debt. The higher inflation rates will also be used to increase allowed revenues and grow the regulatory capital value of United Utilities Water since these are both linked to the UK Retail Price Index (RPI).

The agreed sale of the electricity distribution assets is expected to reduce the future underlying cost of net borrowing. When the sale completes, debt with a higher than average interest rate will exit the group. Adjusting for the interest charge on the net debt associated with the electricity distribution assets, the underlying net borrowing rate for the six months to 30 September 2007 was reduced by around 0.2%. In addition, the group redeemed a €1,000 million 6.625% bond in November 2007 which will also serve to reduce the underlying cost of net borrowings going forward.

Profit before taxation

Profit before taxation[1] increased by 1% to £252 million. Adjusting for the impact of restructuring costs, other one-off items and fair value movements in respect of debt and derivative instruments, underlying profit before taxation[2] was £243 million, 10% ahead of the results for the six months ended 30 September 2006.

Taxation

The current tax charge relating to continuing operations is £49 million and the current tax effective rate is 19% which is broadly in line with the current tax rate of 20% in the previous period. Deferred tax has been calculated after taking into account the reduction in the corporation tax rate from 30% to 28% with effect from April 2008. The deferred tax credit on continuing operations arising from the restatement of the opening deferred tax liability is £82 million. The deferred tax credit relating to continuing operations is £58 million compared with a deferred tax charge in the prior period of £29 million.

Excluding the restatement due to the change in corporation tax rate, the total tax charge relating to continuing operations in the first half of the year would be £72 million or 29%, compared with a £77 million charge or 31% in the corresponding period last year. In total, a tax credit of £10 million has been included for the six months ended 30 September 2007.

Discontinued operations

The group's electricity distribution assets are treated as a discontinued operation in the results for the six months ended 30 September 2007. In the period 1 April 2007 to 30 September 2007, operating profit generated from the electricity distribution assets was £99 million compared with £78 million in the corresponding period in the prior year. This increase in operating profit reflects the cessation of depreciation in accordance with International Financial Reporting Standards, with effect from the announcement of the intention to sell the assets.

In line with its core skills strategy, United Utilities previously announced that it had taken the decision to dispose of its industrial liquid waste and facilities management operations and the contribution from these operations has therefore been treated as discontinued. The group recently sold its industrial liquid waste operations to Tradebe, the parent company of Advanced Waste Solutions Ltd, and the sale process for its facilities management operations is progressing well.

In the period 1 April 2007 to 30 September 2007, an operating loss of £0.5 million was recorded from the group's industrial liquid waste operations compared with a break-even position at the operating profit level in the first six months of the previous year. Over the same periods, the group's facilities management operations made an operating profit of £1.2 million and £1.4 million, respectively.

United Utilities sold its 22.63% stake in THUS Group plc earlier in the year, which completed its exit from the telecoms sector. The £10 million loss on disposal of the stake in THUS Group plc is treated as an adjustment to the consideration arising on the disposal of Your Communications and, as such, both the loss and the group's share of THUS' results prior to disposal are disclosed in discontinued operations.

Earnings per share

Basic earnings per share relating to continuing operations increased by 51% to 29.8 pence.

Dividends per share

The Board has declared an interim dividend in respect of the six months ended 30 September 2007 of 15.20 pence per ordinary share. This is an increase of 3.87%, consistent with the group's policy of growing dividends in line with inflation. The inflationary increase is based on the RPI element included within the allowed regulated price increase in United Utilities Water for the 2007/08 financial year (i.e. the movement in RPI between November 2005 and November 2006).

This interim dividend will be paid on 11 February 2008 to shareholders on the register at the close of business on 21 December 2007. The ex-dividend date for the interim dividend is 19 December 2007.

Cash and short-term deposits and borrowings

Cash and short-term deposits at 30 September 2007 were £1,812 million which, inclusive of medium term committed bank facilities and net of short-term debt, results in total available liquidity of £1,453 million. Since the half year end, United Utilities redeemed a €1,000 million 6.625% bond from existing cash resources primarily generated from issuances of index-linked debt at very attractive rates. The group retains an excellent pre-funded position for its capital investment programmes.

Net debt, including derivatives, supporting continuing operations at 30 September 2007 was £3,806 million, an increase of £162 million compared with 31 March 2007. This movement principally reflects higher expenditure on the regulated water and wastewater capital programmes, payments of interest, tax and dividends offset by cash flow from operating activities and proceeds from the sale of United Utilities' stake in THUS Group plc.

Index-linked debt

In the six months ended 30 September 2007, the group issued a total of £150 million of long-term, index-linked notes through its multi-issuer euro medium term note programme. This comprised a £50 million issue at a real interest rate of 1.702% with a 50.5 year maturity and a £100 million issue at a real interest rate of 1.585% with a 50 year maturity. Since 30 September 2007, the group has made further progress with a £35 million index-linked note issue at a real interest rate of 1.66% with a 30 year maturity.

Excluding the debt associated with the electricity distribution assets, United Utilities now has in place index-linked funding totalling approximately £1.5 billion, including indexation of the principal. This funding, with an average real interest rate of approximately 1.8%, supports around 21% of United Utilities Water's regulatory capital value.

The principal amount of these borrowings will be adjusted to track movements in RPI. This form of liability is a good match for the group's regulated assets, which are also linked to RPI, and delivers a cashflow benefit since compensation for inflationary risk is provided through adjustment to the principal rather than in cash.

US delisting and deregistration

United Utilities announced on 30 May 2007 that it intended to pursue a delisting from the New York Stock Exchange and deregistration under the US Securities Exchange Act of 1934, with the aim of reducing compliance costs. The company has now delisted and deregistered and is on track to achieve annual savings of around £2 million. The company remains committed to its US shareholders and United Utilities' American Depositary Shares continue to be traded on the over-the-counter market.

Underlying profit measures

In considering the results for the period, the directors have adjusted the group's statutory measures for fair value movements on debt and derivative instruments and those significant items identified as non-recurring. Operating profit and profit before taxation from continuing operations are reconciled to underlying operating profit from continuing operations and underlying profit before taxation from continuing operations as follows:

Continuing operations **Operating profit for the six months ended 30 September 2007**	**Regulated £m**	**Non-regulated £m**	**Other £m**	**Total £m**
Operating profit per published results and underlying operating profit	**325.3**	**21.5**	**1.0**	**347.8**

Continuing operations **Operating profit for the six months ended 30 September 2006**	**Regulated £m**	**Non-regulated £m**	**Other £m**	**Total £m**
Operating profit[5] per published results	**309.2**	**22.1**	**1.1**	**332.4**
Restructuring costs	4.0	0.5	-	4.5
Settlement claims[6]	(15.0)	-	-	(15.0)
Total adjustments	(11.0)	0.5	-	(10.5)
Underlying operating profit	**298.2**	**22.6**	**1.1**	**321.9**

Continuing operations **Profit before taxation**	**Six months ended 30 September 2007**	**Six months ended 30 September 2006**
Profit before taxation per published results	**252.4**	**250.3**
Operating profit adjustments (see above)	-	(10.5)
Fair value loss on debt and derivative instruments	18.5	10.0
Interest on swaps and interest on debt under fair value option	(27.6)	(28.5)
Underlying profit before taxation	**243.3**	**221.3**

Notes

[5] Interest income and expenditure associated with the group's defined benefit pension schemes have been reclassified from employee benefits expense to investment income and finance expense in the income statement as the directors believe this provides a fairer presentation of the nature of those income and costs.

[6] During the prior period, regulated activities benefited from a £15.0 million one-off credit. This credit is in respect of settlement of claims made by the group against contractors and from the end of the statutory period of potential claims against the group. Although such claims are a regular occurrence in the ongoing business of UU, these particular claims were unusual in size.

Distributions to shareholders under current and new dividend policies

In United Utilities' preliminary results presentation on 5 June 2007, the Board said it was its intention that shareholders would realise total distributions over the remainder of the 2005-10 price control period at least equivalent to the distributions targeted for the same period under the current dividend policy.

The Board has calculated the distributions expected under the current dividend policy for the remainder of the 2005-10 period on the basis of 880 million shares currently in issue and an RPI assumption of 2.75% per annum for 2008/09 and 2009/10.

The Board has calculated the distributions expected under the new dividend policy for the remainder of the 2005-10 period on the basis of United Utilities' closing share price of 724 pence on 26 November 2007, a dividend per share reduction of 30% from 2008/09, a target real dividend growth rate of 2% and an RPI assumption of 2.75% per annum for 2008/09 and 2009/10. Using these assumptions, the number of issued shares in the new parent company would be 673 million from 2008/09 for the purposes of calculating the dividends to be paid under the new dividend policy.

On this basis, and taking account of the additional £450 million return of value, shareholders will receive total distributions in line with what was expected over the remainder of the 2005-10 period under the current policy. This is set out in the tables below:

Current dividend policy	**2007/08**	**2008/09**	**2009/10**	**3 year total**	**Pence per existing share**
Estimated dividend per share (pence)	46.67	47.95	49.27		
Number of shares (m)	880	880	880		
Distributions to shareholders (£m)	**411**	**422**	**434**	**1,267**	**144**

New dividend policy	**2007/08**	**2008/09**	**2009/10**	**3 year total**	**Pence per existing share**
Estimated dividend per share (pence)	46.67	32.67	34.22		
Number of shares (m)	880	673	673		
Dividends to be paid (£m)	411	220	230	**861**	**98**
Additional return (£m)	-	450	-	**450**	**51**
Distributions to shareholders (£m)	**411**	**670**	**230**	**1,311**	**149**

The figures set out in these tables are subject to a number of uncertainties including the fulfilment of the specified assumptions. They are therefore illustrative only and do not constitute a forecast.

PRINCIPAL RISKS AND UNCERTAINTIES

The group performs an annual risk assessment exercise involving self-assessment by management of all business risks in terms of impact, likelihood and control strength and an objective challenge of that assessment by the internal audit team. The group's anticipated principal risks over the second half of the financial year and beyond remain as stated in its 2007 Annual Report and Accounts with the addition of the completion of the sale of the group's electricity distribution assets. The principal risks are set out in full on pages 36, 37 and 38 of the 2007 Annual Report and include (i) the effect of, and changes in, regulation and government policy; (ii) the ability of the company to deliver its capital investment programmes; (iii) the ability of the company to deliver operational performance or cost savings implicit in the regulatory reviews; (iv) the imposition of new or stricter environmental regulations; (v) service interruptions or contamination of water supplies; (vi) non-recovery of customer debt; (vii) rapid or conversely slow growth in the infrastructure management sector; (viii) pension scheme obligations which might require the group to make additional contributions; (ix) operational risk in processing a large number of transactions efficiently and accurately; and (x) litigation.

There has been no change to the nature of related party transactions in the first six months of the financial year which has materially affected the financial position or performance of United Utilities.

DISCLAIMER

Certain statements included or incorporated by reference within this half yearly report may constitute 'forward-looking statements'. Forward-looking statements are based on expectations, forecasts and assumptions by our management and involve a number of risks, uncertainties, and other factors that could cause actual results to differ materially from those stated. The Board considers the risks and uncertainties listed above to be the principal ones that might affect the group's performance and results for the second half of this financial year and beyond but cautions that the risks listed in this section do not address all the factors that could cause results to differ materially. There may be additional risks that the group does not currently know of, or that are deemed immaterial based on either information currently available or the group's current assessment of the risk. The group's business, financial condition or results of operations could be materially affected by any of these risks, resulting in a decline in the trading price of the group's ordinary shares.

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Consolidated income statement

	Six months ended 30 September 2007 £m	Re-presented Six months ended 30 September 2006 £m	Re-presented Year ended 31 March 2007 £m
Continuing operations			
Revenue	1,152.6	962.4	1,986.7
Other income	3.5	4.5	8.9
Employee benefits expense	(159.6)	(124.8)	(254.1)
Depreciation and amortisation expense	(118.1)	(100.0)	(221.3)
Infrastructure renewals expenditure	(61.6)	(44.1)	(101.2)
Other operating costs	(469.0)	(365.6)	(776.9)
Total operating expenses	(804.8)	(630.0)	(1,344.6)
Operating profit	347.8	332.4	642.1
Investment income (note 2)	72.6	54.9	118.3
Finance expense (note 3)	(168.0)	(137.0)	(258.1)
Investment income and finance expense	(95.4)	(82.1)	(139.8)
Profit before taxation	252.4	250.3	502.3
Current taxation charge (note 4)	(48.6)	(48.9)	(53.6)
Deferred taxation credit/(charge) (note 4)	58.3	(28.5)	(90.3)
	9.7	(77.4)	(143.9)
Profit for the period from continuing operations	262.1	172.9	358.4
Profit for the period from discontinued operations (note 5)	75.4	53.3	75.1
Profit for the period	337.5	226.2	433.5
Attributable to:			
Equity holders of the company	337.5	226.0	433.5
Minority interest	-	0.2	-
	337.5	226.2	433.5
Earnings per share from continuing and discontinued operations (note 6)			
Basic	38.3p	25.8p	49.4p
Diluted	38.2p	25.7p	49.2p
Earnings per share from continuing operations (note 6)			
Basic	29.8p	19.7p	40.9p
Diluted	29.6p	19.6p	40.7p
Dividend per ordinary share (note 7)	15.20p	14.63p	44.93p

Consolidated balance sheet	30 September 2007 £m	30 September 2006 £m	31 March 2007 £m
ASSETS			
Non-current assets			
Property, plant and equipment	7,276.2	8,657.0	8,894.6
Goodwill	4.4	5.8	5.0
Other intangible assets	99.7	123.9	115.5
Investments	127.8	182.3	201.8
Trade and other receivables	21.5	22.0	21.6
Retirement benefit surplus	45.5	11.6	62.2
Derivative financial instruments	19.4	66.1	15.2
	7,594.5	9,068.7	9,315.9
Current assets			
Inventories	22.9	34.3	24.3
Trade and other receivables	492.5	430.0	418.2
Investments	42.1	31.8	38.5
Cash and short-term deposits	1,811.5	2,129.1	2,403.3
Derivative financial instruments	108.1	32.8	61.0
	2,477.1	2,658.0	2,945.3
Assets classified as held for sale (note 5)	2,209.7	360.2	-
Total assets	12,281.3	12,086.9	12,261.2
LIABILITIES			
Non-current liabilities			
Trade and other payables	(125.4)	(390.6)	(414.3)
Borrowings	(3,998.9)	(5,743.2)	(4,854.9)
Deferred tax liabilities	(1,171.5)	(1,449.6)	(1,550.8)
Provisions	(22.3)	(32.6)	(30.4)
Derivative financial instruments	(135.0)	(97.3)	(173.5)
	(5,453.1)	(7,713.3)	(7,023.9)
Current liabilities			
Trade and other payables	(727.3)	(744.4)	(749.2)
Borrowings	(1,503.7)	(645.7)	(1,509.5)
Current income tax liabilities	(84.3)	(185.6)	(168.0)
Provisions	(4.6)	(11.6)	(8.5)
Derivative financial instruments	(107.8)	(70.3)	(67.3)
	(2,427.7)	(1,657.6)	(2,502.5)
Liabilities associated with assets classified as held for sale (note 5)	(1,565.2)	(111.2)	-
Total liabilities	(9,446.0)	(9,482.1)	(9,526.4)
Total net assets	2,835.3	2,604.8	2,734.8
EQUITY			
Capital and reserves attributable to equity holders of the company			
Share capital	880.3	876.7	879.8
Share premium account	1,423.9	1,410.6	1,421.9
Revaluation reserve	158.8	158.8	158.8
Treasury shares	(0.3)	(0.3)	(0.3)
Cumulative exchange reserve	(3.2)	(2.6)	(4.2)
Retained earnings	375.8	159.9	278.8
Shareholders' equity	2,835.3	2,603.1	2,734.8
Minority interest	-	1.7	-
Total equity	2,835.3	2,604.8	2,734.8

Consolidated cashflow statement

	Six months ended 30 September 2007 £m	Re-presented Six months ended 30 September 2006 £m	Re-presented Year ended 31 March 2007 £m
Operating activities			
Cash generated from operations	319.2	381.3	810.8
Interest paid	(146.7)	(149.9)	(341.8)
Interest received and similar income	60.3	36.0	99.8
Tax paid	(66.1)	(0.2)	(17.8)
Net cash generated from operating activities (continuing operations)	166.7	267.2	551.0
Net cash generated from operating activities (discontinued operations)	169.3	69.4	204.3
	336.0	336.6	755.3
Investing activities			
Proceeds from investment in UU Electricity Services by UU Electricity	30.0	-	-
Disposal of associated company	75.8	-	-
Disposal of subsidiaries	-	-	206.4
Purchase of property, plant and equipment	(297.5)	(220.0)	(548.5)
Purchase of other intangible assets	(16.3)	(4.2)	(5.0)
Proceeds from sale of property, plant and equipment	1.3	3.6	27.0
Net cash used in investing activities (continuing operations)	(206.7)	(220.6)	(320.1)
Net cash used in investing activities (discontinued operations)	(146.2)	(79.6)	(125.1)
	(352.9)	(300.2)	(445.2)
Financing activities			
Proceeds from issue of ordinary shares	2.5	4.1	18.5
Proceeds from structured financing	2.2	53.9	81.4
Proceeds from borrowings	285.0	1,219.4	1,600.8
Repayment of borrowings	(443.4)	(526.6)	(821.0)
Dividends paid to equity holders of the company	(266.6)	(257.2)	(387.3)
Dividends received from discontinued operations	100.0	24.0	36.0
Net cash (used in)/generated from financing activities (continuing operations)	(320.3)	517.6	528.4
Net cash (used in)/generated from financing activities (discontinued operations)	(100.0)	73.7	51.9
	(420.3)	591.3	580.3
Effects of exchange rate changes (continuing operations)	2.8	(0.1)	6.4
Net (decrease)/increase in cash and cash equivalents – continuing operations	(357.5)	564.1	765.7
Net (decrease)/increase in cash and cash equivalents – discontinued operations	(76.9)	63.5	131.1
	(434.4)	627.6	896.8
Cash and cash equivalents at beginning of the period	2,340.7	1,443.9	1,443.9
Cash and cash equivalents at end of the period	1,906.3	2,071.5	2,340.7

Consolidated statement of recognised income and expense

	Six months ended 30 September 2007 £m	Six months ended 30 September 2006 £m	Year ended 31 March 2007 £m
Actuarial gains on defined benefit pension schemes	20.6	-	46.5
Revaluation of investments	10.1	6.3	8.9
Fair value gain on cashflow hedges	-	1.9	2.8
Foreign exchange adjustments	0.9	(4.8)	(6.4)
Tax on items taken directly to equity	(5.8)	(0.6)	(14.8)
Net income recognised directly in equity	25.8	2.8	37.0
Profit for the period	337.5	226.2	433.5
Total recognised income and expense for the period	363.3	229.0	470.5
Attributable to:			
Equity shareholders	363.3	228.8	470.5
Minority interest	-	0.2	-
	363.3	229.0	470.5

Reconciliation of movements in consolidated equity

	Six months ended 30 September 2007 £m	Six months ended 30 September 2006 £m	Year ended 31 March 2007 £m
Total net income recognised for the period	363.3	229.0	470.5
Dividends	(266.6)	(259.0)	(387.3)
New share capital issued	2.5	4.1	18.5
Other movements	1.3	(0.2)	2.2
Net increase/(decrease) in equity for the period	100.5	(26.1)	103.9
Opening equity	2,734.8	2,630.9	2,630.9
Closing equity	2,835.3	2,604.8	2,734.8
Attributable to:			
Equity shareholders	2,835.3	2,603.1	2,734.8
Minority interest	-	1.7	-
	2,835.3	2,604.8	2,734.8

Cash generated from continuing operations

	Six months ended 30 September 2007 £m	Re-presented Six months ended 30 September 2006 £m	Re-presented Year ended 31 March 2007 £m
Profit before taxation from continuing operations	252.4	250.3	502.3
Adjustment for investment income and finance expense	95.4	82.1	139.8
Operating profit from continuing operations	347.8	332.4	642.1
Adjustments for:			
Depreciation of property, plant and equipment	109.6	100.0	213.8
Amortisation of intangible assets	8.5	-	7.5
Loss on disposal of property, plant and equipment	(0.6)	(1.2)	(3.4)
Changes in working capital:			
(Increase)/decrease in inventories	(2.2)	(7.4)	4.0
Increase in trade and other receivables	(129.3)	(39.1)	(66.6)
(Decrease)/increase in provisions and payables	(14.6)	(3.4)	13.4
Cash generated from continuing operations	319.2	381.3	810.8

Segmental analysis by class of business

Continuing operations **Revenue**	**Six months ended 30 September 2007 £m**	**Re-presented Six months ended 30 September 2006 £m**	**Re-presented Year ended 31 March 2007 £m**
Regulated activities	713.0	669.1	1,320.8
Non-regulated activities	454.3	321.8	729.2
Other activities	19.5	18.8	53.0
	1,186.8	1,009.7	2,103.0
Inter-segment revenue	(34.2)	(47.3)	(116.3)
	1,152.6	962.4	1,986.7

Continuing operations **Operating profit**	**Six months ended 30 September 2007 £m**	**Re-presented Six months ended 30 September 2006 £m**	**Re-presented Year ended 31 March 2007 £m**
Regulated activities	325.3	309.2	581.0
Non-regulated activities	21.5	22.1	62.6
Other activities	1.0	1.1	(1.5)
	347.8	332.4	642.1

For management purposes, the group is currently organised into two principal operating divisions, being regulated and non-regulated activities. These divisions form the basis on which the above primary segment information is reported.

The regulated activities segment (formerly described as United Utilities North West) previously included the contribution from United Utilities Electricity. Following the announcement of the sale of the group's electricity distribution assets made on 26 October 2007, the contribution from these assets is treated as discontinued (see note 5) and is not included in the regulated activities segment.

The non-regulated activities segment (formerly described as United Utilities Contract Solutions) previously included the contribution from the group's facilities management and industrial liquid waste operations. As part of the group's strategy of focusing on its core skills, as previously announced, the decision has been taken to sell these operations. Consequently, these non-regulated activities are also treated as discontinued (see note 5).

In addition, the other activities segment previously included some residual activities associated with United Utilities Electricity, but not related to regulated electricity distribution. These residual activities are therefore treated as discontinued and no longer included in the other activities segment.

NOTES

1. Basis of preparation

The results for the period ended 30 September 2007, which are unaudited, have been prepared on the basis of accounting policies consistent with those set out in the annual report to shareholders for the year ended 31 March 2007.

The condensed consolidated interim financial statements of United Utilities PLC (the group) have been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting' (IAS 34), and have been prepared on the basis of International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) that are expected to be effective for the year ending 31 March 2008.

The condensed consolidated financial statements do not include all of the information required for full annual financial statements, do not comprise statutory accounts within the meaning of Section 240 of the Companies Act 1985, and should be read in conjunction with the Annual Report 2007.

The comparative figures for the year ended 31 March 2007 do not comprise the group's statutory accounts for that financial year. Those accounts have been reported upon by the group's auditors and delivered to the registrar of companies. The report of the auditors was unqualified, did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and did not contain statements under Section 237(2) or (3) of the Companies Act 1985.

The comparative results for the six months ended 30 September 2006 and the year ended 31 March 2007 have been re-presented to reflect the disclosure of United Utilities Electricity, the group's industrial liquid waste and facilities management operations and the final exit from the telecoms market within discontinued operations (see note 5).

As reported at the March 2007 year end, the group has changed its presentation of interest income and expenditure associated with its defined benefit pension schemes. The amounts were previously disclosed within employee benefits expense in arriving at operating profit, but are now included in investment income in the income statement as the directors believe this provides a fairer presentation of the nature of the income and costs. Corresponding amounts for September 2006 and March 2007 have been re-presented accordingly.

2. Investment income

	Six months ended 30 September 2007 £m	Re-presented Six months ended 30 September 2006 £m	Re-presented Year ended 31 March 2007 £m
Interest receivable	41.1	28.6	69.8
Foreign exchange gains on forward contracts	19.8	18.2	30.9
Expected return on pension schemes' assets	58.9	44.0	92.5
Interest cost on pension schemes' obligations	(47.2)	(35.9)	(74.9)
	72.6	54.9	118.3

3. Finance expense

	Six months ended 30 September 2007 £m	Re-presented Six months ended 30 September 2006 £m	Re-presented Year ended 31 March 2007 £m
Interest payable	(149.5)	(127.0)	(284.1)
Fair value (loss)/gain on debt and derivative instruments	(18.5)	(10.0)	26.0
	(168.0)	(137.0)	(258.1)

For the period ended 30 September 2006, an £11 million charge previously reported within interest payable should have more properly been disclosed within the fair value of debt and derivative instruments and as such these balances have been adjusted in respect of this item. The reclassification does not affect the reported finance expense, underlying interest payable or the underlying cost of net borrowings.

As reported at the year end, the group follows a policy of economic hedging its interest rate and currency exposures, with particular regard to the five-year regulatory period. Including the interest element of swaps and interest on debt under the fair value option within interest payable, as opposed to within the fair value movement on debt and derivative instruments, and adjusting for the reclassification of interest income and expenditure associated with the group's defined benefit pension schemes, would give an economic underlying cost of net borrowings of £116.2 million (30 September 2006: £108.7 million, 31 March 2007: £240.7 million):

	Six months ended 30 September 2007 £m	Re-presented Six months ended 30 September 2006 £m	Re-presented Year ended 31 March 2007 £m
Finance expense	(168.0)	(137.0)	(258.1)
Fair value loss/(gain) on debt and derivative instruments	18.5	10.0	(26.0)
Add back interest on swaps and debt under fair value option	(27.6)	(28.5)	(57.3)
Underlying interest payable	(177.1)	(155.5)	(341.4)
Investment income	72.6	54.9	118.3
Adjustment for net pension interest income	(11.7)	(8.1)	(17.6)
Underlying cost of net borrowings	(116.2)	(108.7)	(240.7)

4. Taxation

	Six months ended 30 September 2007 £m	Re-presented Six months ended 30 September 2006 £m	Re-presented Year ended 31 March 2007 £m
Current taxation:			
UK corporation tax charge	(46.4)	(46.8)	(84.6)
Foreign tax	(2.2)	(2.1)	(3.1)
Adjustment in respect of prior years	-	-	34.1
	(48.6)	(48.9)	(53.6)
Deferred taxation:			
Current year	(23.6)	(28.5)	(73.0)
Adjustment in respect of prior years	-	-	(17.3)
Change in tax rate	81.9	-	-
	58.3	(28.5)	(90.3)
	9.7	(77.4)	(143.9)

5. Discontinued operations

In line with its core skills strategy, the group previously announced that it had taken the decision to dispose of United Utilities Electricity, its facilities management and industrial liquid waste operations and its exit from the telecoms sector.

On 23 November 2007, the group announced the sale of United Utilities Electricity to North West Electricity Networks Limited for a total enterprise value of £1,782 million and on 26 October 2007, the group announced the sale of its industrial liquid waste operations to Tradebe for consideration of £3.5 million. As the group's facilities management operations are being actively marketed for disposal and there is an expectation that a disposal transaction will qualify for recognition as a completed sale within one year, it meets the definition of a disposal group in accordance with IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations' as at 30 September 2007 and is therefore classified as held for sale and a discontinued operation.

In accordance with IFRS 5, the assets and liabilities of United Utilities Electricity, and the group's facilities management and industrial liquid waste operations have been reviewed to determine whether adjustments are required to write them down to the lower of their book value and their fair value, less estimated costs to sell. This review has not resulted in any reduction in the carrying values of the assets and liabilities of United Utilities Electricity or the group's facilities management and industrial liquid waste operations in the consolidated balance sheet at 30 September 2007.

The group sold its 22.63% stake in THUS Group plc on 19 June 2007, which completed its exit from the telecoms sector. The sale is treated as an adjustment to consideration arising on the disposal of Your Communications and as such both the loss on disposal and the group's share of THUS' results prior to disposal are disclosed within discontinued operations.

On 26 March 2007, the group sold the Vertex business to a consortium of US-based private equity firms.

The results of United Utilities Electricity, facilities management operations, industrial liquid waste operations and telecoms activities in the period to 30 September 2007 and comparative periods, including Vertex, which have been disclosed as discontinued in the consolidated income statement, as required by IFRS 5, are as follows:

United Utilities Electricity

	Six months ended 30 September 2007 £m	Six months ended 30 September 2006 £m	Year ended 31 March 2007 £m
Total external revenue	146.0	143.5	315.4
Depreciation and amortisation	(10.0)	(30.8)	(64.2)
Other operating expenses	(37.1)	(34.3)	(72.4)
Operating profit	98.9	78.4	178.8
Investment income and finance expense	(8.0)	(13.6)	(31.1)
Profit before taxation	90.9	64.8	147.7
Taxation on profit	(6.3)	(19.1)	(29.2)
Profit for the period from discontinued operations	84.6	45.7	118.5

Facilities management

	Six months ended 30 September 2007 £m	Six months ended 30 September 2006 £m	Year ended 31 March 2007 £m
Revenue			
External sales	3.1	3.2	4.9
Intra-group sales	12.9	17.3	38.4
Total revenue	16.0	20.5	43.3
Depreciation and amortisation	(0.1)	(0.3)	(0.6)
Other operating expenses	(14.7)	(18.8)	(38.3)
Operating profit	1.2	1.4	4.4
Investment income and finance expense	0.3	0.2	0.5
Profit before taxation*	1.5	1.6	4.9
Taxation on profit	(0.5)	(0.5)	(1.5)
Profit for the period from discontinued operations	1.0	1.1	3.4

* Profit before taxation includes profit generated from intercompany trading of £1.4 million in the period ended 30 September 2007, £1.5 million in the period ended 30 September 2006, and £4.1 million in the year ended 31 March 2007.

Industrial liquid waste

	Six months ended 30 September 2007 £m	Six months ended 30 September 2006 £m	Year ended 31 March 2007 £m
Total external revenue	4.5	7.7	16.0
Depreciation and amortisation	(0.2)	(1.2)	(2.4)
Other operating expenses	(4.8)	(6.5)	(11.5)
Operating (loss)/profit	(0.5)	-	2.1
Investment income and finance expense	0.3	0.1	0.3
(Loss)/profit before taxation	(0.2)	0.1	2.4
Taxation on (loss)/profit	-	-	(0.7)
(Loss)/profit for the period from discontinued operations	(0.2)	0.1	1.7

Telecoms

	Six months ended 30 September 2007 £m	Six months ended 30 September 2006 £m	Year ended 31 March 2007 £m
(Loss) on disposal/share of results of associated company	(10.0)	5.4	18.7

Vertex

	Six months ended 30 September 2006 £m	Period ended 26 March 2007 £m
Revenue		
External sales	148.1	303.4
Intra-group sales	50.9	89.5
Total revenue	199.0	392.9
Depreciation and amortisation	(14.2)	(14.2)
Other operating expenses	(184.8)	(363.7)
Operating profit	-	15.0
Investment income and finance expense	1.5	4.2
Profit before taxation*	1.5	19.2
Taxation on profit	(0.5)	(5.9)
Profit for the period from discontinued operations	1.0	13.3
Loss on disposal before assumption of deferred contingent consideration		(65.1)
Assumption of deferred contingent consideration		(13.5)
Loss on disposal of discontinued operations before taxation		(78.6)
Taxation on loss on disposal of discontinued operations		(1.9)
Total loss for the period from discontinued operations		(67.2)

* Profit before taxation includes profit generated from intercompany trading of £2.6 million in the period ended 30 September 2006 and £8.7 million in the period ended 26 March 2007.

6. Earnings per share

Basic earnings per share and diluted earnings per share are calculated by dividing profit for the period by the following weighted average number of shares in issue:

	Basic million	Diluted million
Period ended 30 September 2007	880.1	884.0
Period ended 30 September 2006	876.1	880.5
Year ended 31 March 2007	876.8	880.6

The difference between the weighted average number of shares used in the basic and the diluted earnings per share calculations represents those ordinary shares deemed to have been issued for no consideration on the conversion of all potential dilutive ordinary shares in accordance with IAS 33 'Earnings per Share'.

The basic and diluted earnings per share for the period are as follows:

	Six months ended 30 September 2007	Re-presented Six months ended 30 September 2006	Re-presented Year ended 31 March 2007
From continuing and discontinued operations			
Basic	38.3p	25.8p	49.4p
Diluted	38.2p	25.7p	49.2p
From continuing operations			
Basic	29.8p	19.7p	40.9p
Diluted	29.6p	19.6p	40.7p

7. Dividends

	Six months ended 30 September 2007 £m	Six months ended 30 September 2006 £m	Year ended 31 March 2007 £m
Dividends relating to the period comprise:			
Interim dividend	133.8	128.3	128.3
Final dividend	-	-	266.6
	133.8	128.3	394.9

	Six months ended 30 September 2007 £m	Six months ended 30 September 2006 £m	Year ended 31 March 2007 £m
Dividends deducted from shareholders' equity:			
Interim dividend	-	-	128.3
Final dividend	266.6	259.0	259.0
	266.6	259.0	387.3

The interim dividend of 15.20 pence per ordinary share (year ended 31 March 2007: interim dividend of 14.63 pence per ordinary share; final dividend of 30.30 pence per ordinary share) will be paid on 11 February 2008 to shareholders on the register at the close of business on 21 December 2007. The ex-dividend date for the interim dividend is 19 December 2007.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The half yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

We confirm that to the best of our knowledge:

- The condensed set of financial statements has been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the EU; and
- The interim management report includes a fair review of the information required by:

    - DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events during the first six months of the current financial year and their impact on the condensed set of financial statements; and a description of principal risks and uncertainties for the remaining six months of the year; and
    - DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

The Directors of United Utilities PLC are listed in the United Utilities PLC Annual Report for the year ended 31 March 2007. There have been no subsequent changes to the Directors in post with the exception of Paul Capell, who resigned on the 27 September 2007.

By order of the Board

………………………..	……………………….
Philip Green	Tim Weller
28 November 2007	28 November 2007
Chief Executive Officer	Chief Financial Officer

INDEPENDENT REVIEW REPORT TO UNITED UTILITIES PLC

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2007 which comprises the consolidated income statement, the consolidated balance sheet, the consolidated statement of recognised income and expense, the reconciliation of movements in consolidated equity, the consolidated cashflow statement, cash generated from continuing operations, segmental analysis by class of business and related notes 1 to 7. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with International Standard on Review Engagements 2410 issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the company those matters we are required to state to them in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdoms' Financial Services Authority.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting," as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

Deloitte & Touche LLP
Chartered Accountants and Registered Auditor
28 November 2007
Manchester, UK